



## **Start of Henry Grunfeld Collection**

### **AR 11605**

Sys #: 000342020

LEO BAECK INSTITUTE  
Center for Jewish History  
15 West 16th Street  
New York, NY 10011

Phone: (212) 744-6400  
Fax: (212) 988-1305  
Email: [lbaeck@lbi.cjh.org](mailto:lbaeck@lbi.cjh.org)  
URL: <http://www.lbi.org>

AR 11605

1/1

Henry Grunfeld Collection

1982-2001

Archives

# HENRY GRUNFELD

1 June 1904 - 10 June 1999



The Great Hall, Bart's  
Thursday, 21 October 1999 at 5.30 p.m.

***Mark Lewisohn***

Kol Nidrei, Op. 47 - Max Bruch

Sonata in C major Op. 102 No.1. - Ludwig van Beethoven

Alexander Baillie - Cello  
Susan Tomes - Piano

***Eric Roll***

Trio in B Flat, Op. 99 D. 898 - Franz Schubert

The Florestan Trio

***David Scholey***

**Reception**

## Max Bruch (1838-1920) Kol Nidrei

"Kol Nidrei" means "All the vows", the words taken from the opening prayer on the Jewish Day of Atonement (Yom Kippur). Originally written as an Adagio, based on the Hebrew melodies, for cello and orchestra, Bruch skilfully places the traditional prayer melody alongside a calm conclusion in the major key adding a degree of great poignancy. This work marks a notable tribute to the Jewish culture from a composer of German birth.

Max Bruch held various posts as a conductor, including three years (1880-83) at Liverpool and at Breslau (1883-90), before becoming the principal teacher of composition at the Berlin Hochschule in 1891.

## Ludwig van Beethoven (1770-1827)

### Beethoven: Sonata for cello and piano in C major opus 102 no. 1

1. Andante, leading to Allegro
2. Adagio, leading to Allegro Vivace

The Sonata in C, the fourth of Beethoven's five cello sonatas, was written in the summer of 1815 and is considered to be one of the first works of his so-called 'Late Period'. It was probably written for Herr Linke, the cellist of the leading Viennese string quartet, the Schuppanzigh Quartet.

The cello was not greatly known at that time as a solo instrument, but of course Beethoven's five sonatas for cello and piano helped to establish it on an altogether higher plane in the public's mind. It consists of what are essentially two bipartite movements, each beginning with a slow, serene introduction and leading to an extended fast movement. The first of these Allegros is a tough, martial movement with brief glimpses of contrasting lyrical mood. The second Allegro, beginning with deceptive simplicity, develops into a stern dialogue between cello and piano, interspersed with astonishing modulations each introduced by the cello alone, in what might almost be thought to be a parody of tuning the open strings, sinking lower and lower until reaching the remote key of D flat major, from which it climbs triumphantly back to C major in a brief coda.

## Alexander Baillie

Alexander Baillie is internationally recognised as one of the finest cellists of his generation. Baillie has appeared as soloist with all major British Orchestras, the LSO, EBC Symphony, Royal Philharmonic, Philharmonia, CBSO, ECO and on BBC Radio frequently as recitalist. In addition to a busy playing career he has a keen interest in teaching and was a founder of "The Gathering of the Clans" cello school. He was recently appointed Professor of Cello at the Bremen Hochschule für Musik. Baillie is a member of the Berlin based chamber ensemble Alia Musica who played their debut at the Wigmore Hall in 1999. Later this year Alexander Baillie will perform Elgar's Concerto at the Barbican under Ben Zander with the Philharmonia Orchestra. Recent recordings include concertos by Gordon Crosse and Rawsthorn and 2 recital discs to be released shortly.

## Susan Tomes

Susan Tomes is one of Britain's finest pianists. She has made over thirty recordings of solo, duo and chamber music, many of which have won international awards and she frequently performs, both as a soloist and as part of a chamber group, at festivals around the world. In 1995 she and the cellist Richard Lester joined forces with violinist Anthony Marwood to form the Florestan Trio, described below.

Susan Tomes performs in duos with a number of other distinguished artists including Steven Isserlis, Thomas Riebl, and Douglas Boyd. She appears as a guest artist with the Takacs Quartet, the Nash Ensemble and the Gaudier Ensemble. She has been a guest professor at the International Musicians' Seminar in Cornwall, at the Banff Centre in Canada, and at the European Mozart Foundation in Cracow. She gives masterclasses and coaches chamber music at the Guildhall School of Music in London, and at Cambridge University.

## Franz Schubert (1797-1828)

### Schubert: Piano Trio in B flat major opus 99

1. Allegro moderato.	3. Scherzo: Allegro.
2. Andante un poco mosso.	4. Allegro vivace.

Schubert's B flat trio was written in the last year of his life, and was performed on 28 January 1828 at an engagement party for Josef von Spaun. This gentleman had been a friend of Schubert's since their student days, when Spaun founded a student orchestra and chose Schubert to be the leader of the first violins, as well as letting him conduct when the regular conductor was absent. Later in life, Spaun used to organise evenings of Schubert's own music, known by their friends as 'Schubertiads', at his home. The concert on 28 January 1828 was the last of these events, and the only time that Schubert heard his trio performed.

Thereafter the manuscript remained amongst his posthumous works until, some years later, the composer Robert Schumann intervened to bring it, and many of the other late works, to the attention of the musical public. Writing about the B flat trio in his musical magazine, 'Neue Zeitschrift fuer Musik' he said that 'a glance at the B flat trio, and all miserable human commotion vanishes; the world glows with a new splendour.' He also wrote that while the other late piano trio, the E flat major opus 100, was 'of the dark', the B flat trio was thoroughly 'of the light'. Its radiant opening theme, so typical of the whole work, was taken from one of Schubert's earlier songs with the touching text, 'Shatter my good fortune, take from me all my possessions, but leave me only my zither, and I shall still be happy and wealthy.'

### The Florestan Trio

Susan Tomes - piano, Anthony Marwood - violin, Richard Lester - cello

Susan Tomes, Anthony Marwood and Richard Lester are three of Great Britain's most dedicated and admired chamber musicians and have played together for many years. Since its early days, the Florestan Trio, has been ranked alongside the world's finest piano trios: "If they don't take their rightful place right up there with the venerable Beaux Arts Trio, then there must be something wrong somewhere" Classic CD (February 1997). The trio takes its name from one of Schumann's imaginary "alter egos" - Florestan was the name he used in his diaries for himself in optimistic mood.

The Florestan Trio was last week awarded the 1999 Gramophone Award for chamber music for their recording of the first two piano trios by Schumann. The extraordinary reviews of this disc led to the trio's giving a series of three all-Schumann concerts in the Wigmore Hall during September and October 1999. In November the trio will release its next disc, of French piano trios by Faure, Debussy and Ravel. Earlier this year, Anthony Marwood and Susan Tomes won the 1999 Classic CD Award for their Hyperion disc of Dvorak duos for violin and piano.

The members of the trio are artists in residence at the Guildhall School of Music and Drama in London.



*The Henry Grunfeld Research Fund has recently been established as a sub-fund of the Louisa Lewisohn Memorial Trust (Registered Charity No 297534) to support promising orthopaedic research into the better understanding of knee anatomy and the use of a robotic guidance system to develop minimally invasive surgery for precision knee replacement.*

*The Fund will also assist research to examine the impact of the doctor/patient relationship, in particular its implications for promoting positive clinical treatments.*

*We are particularly grateful to the Trustees of Sir Siegmund Warburg's Voluntary Settlement who have set aside £100,000 to be used for these programmes.*

*Any donations may be sent by cheque, payable to The Henry Grunfeld Research Fund, c/o Mrs Sarah Haldane, Brettenham House, Lancaster Place, London WC2E 7EQ.*

Henry Grunfeld  
1 June 1904 - 10 June 1999

Recital and Reception

The Great Hall, Bart's  
Thursday, 21 October 1999 at 5.30 p.m.

Guest List

Mr Jorge & Mrs Lina Abenia  
Dr & Mrs Manfred J Adami  
Mrs Christa Adkins  
Mr H H Alexander  
Dr Alexandra Allan  
Mrs Christel Baillie  
Mr Michael Bentley  
Mrs Anna Biegun  
Mrs Angela Bik  
Mr Ellis Birk  
Mr Jock Birney  
Mr & Mrs Robert Boas  
Mr & Mrs Raymond Bonham Carter  
Mr Neil Bowman  
Mr & Mrs Boyd  
Mr Andrew Bracey  
Mr Axel Brandt  
Mr & Mrs Anthony Brooke  
Sir Gordon & Lady Brunton  
Mr John Bryan  
Lord Cairns  
Mr & Mrs Lough Callahan  
Mr Edward Chandler  
Mr Alan Charles  
Mrs Marie-Louise Chittenden  
Mr Peter Chudleigh  
Mr Al Clogston  
Mr Tom Colville  
Mr Ken Costa  
Mr Alex da Silva  
Mr Robert Davenport  
Mr & Mrs Hans de Gier  
Mr & Mrs Dimitri de Gunzburg  
Mr Claude de Kémoulaïa  
Mr & Mrs Maurice Dwek  
Mr Simon Ellen  
Mr A C R Elliott  
Dr Niall Ferguson  
Mr Michael Forgaçs  
Mr Diederich Framhein  
Mr Michael Freeman  
Miss Carol Galley  
Mr Robert Gillespie  
Mr & Mrs John Goodwin  
Mr Martin Gordon  
Mr & Mrs Michael Gore  
Lady Greenhill  
Sir Ronald Grierson  
Mrs Belinda Grunfeld  
Mrs Erika Grunfeld

Mrs Kate Grunfeld  
Sir Howard & Lady Guinness  
M. Pierre Haas  
Mrs Sarah Haldane  
Mr Richard Hardie  
Dr & Mrs Michael Harding  
Mr Roger Harrison-Topham  
Professor & Mrs Gabriel Hawawini  
Mr Mike Hawkins  
Mr Michael Hayes  
Mr Derek Higgs  
Mr & Mrs Hans Holinger  
Mr Richard Holloway  
Lord Jellicoe  
Mr Robin Jessel  
Mr Stephen Kaempfer  
Mr Heydar Kahnhamouipour  
Mr Mark Katzenellenbogen  
Mr Bernard Kelly &  
Lady Mirabel Kelly  
Mr John Ketley  
Mr Andrey Kidel  
Baron Krajenhof  
Mr Richard Lambert  
Mr & Mrs C Lambourne  
Mr Stephen Latner  
Mr Simon Leathes  
Mr Andreas Lehmann  
Mr Torben Lenzberg  
Mr Simon Lewis  
Miss Anita Lewisohn  
His Honour Anthony & Mrs Lewisohn  
Mr James Lewisohn  
Mr & Mrs Mark Lewisohn  
Mr & Mrs Oscar Lewisohn  
Mr Richard Lewisohn  
Mr Ulrich Lichtenberg  
Mr Conal Macfarlane  
Mr George Malinckrodt  
Mr Colin Malone  
Mrs Main Marlow  
Mr I B Marshall  
Mrs Susan Mayo  
Mr & Mrs Malcolm Mendoza  
Mr Nicolas Millward  
Miss Birgit Möller  
Mr John Nash  
Mr Walter Norton  
Sir John Nott  
Mr Richard Oldfield  
Mrs Renata Oltis

Mr Alan Ormond  
Mr Michael Orr  
Mr Pierleone Ottolenghi  
Mrs Trudi Paulie  
Mr and Mrs Frank Pettigas  
Mr and Mrs Ian Pople  
Mr David Price  
Mrs Renata Propper  
Mr Adrian Pye  
Mrs Edith Randall  
Mr Christopher Reilly  
Miss Lucinda Riches  
Lord Roll  
Mrs Ruth Rothbarth  
Mr Daniel Salem & Ms Martine Garel  
Mr John Sanders  
Mr Michael Sargent  
Mr James Sassoone  
Sir David Scholey  
Mr & Mrs Peter Schumann  
Mr David Seligman  
Mr & Mrs Spencer Seligman  
Mr John Shearer  
Mrs Krysyna Sillitoe  
Mr Raymond Skipp  
Dr J Sklar  
Mr & Mrs Mark Smith  
Mr & Mrs Peter Spira  
Mr J C G Standiford  
Mrs Alison Stanistreet  
Mr & Mrs Hugh Stevenson  
Mr Peter Stormonth Darling  
Mrs Margaret Street  
Dr Richard Sutton  
Mr Peter Thompson  
Mr John Truman  
Mr Peter Twatchman  
Mrs Nina Underhill  
Mr & Mrs Michael Valentine  
Mr Herman van der Wyck  
Mr Pier von Simson  
Mr John Walker Haworth  
Mr Richard Wallis  
Miss Doris Wasserman  
Mr William Willett  
Mr Peter Wilmet-Sitwell  
Mrs Jenny Wood

*With the compliments of*

*Oscar M. Lewisohn*

*Dear David -*

We were sorry you were unable to be with us at the Recital for Henry Grunfeld at The Great Hall at Bart's. It occurred to me that you might be interested in having a copy of <sup>the</sup> programme, which I am pleased to enclose.

*I greatly appreciated your letter  
and look forward to our meeting  
together! Yours ever, Oscar*

22nd October 1999

Brettenham House  
Lancaster Place  
London WC2E 7EQ  
Telephone +44 171 872 7090  
Facsimile +44 171 872 7104

*Merle D. W. B.*

14 June 2001

Grunfeld, Henry (1904-1999), banker, was born on 1 June 1904 as Heinrich Grünfeld in Breslau, Germany, the first son and second of the three children of Max Grünfeld (1863-1939), a steel manufacturer, and his wife Rosa (1879-1961), née Haendler. Both his parents' families were prominent in the steel and chemical industries in Upper Silesia. Grünfeld was educated at the Kaiserin-Augusta Gymnasium and other Berlin secondary schools, and subsequently studied law and political science at the University of Berlin, completing his doctorate in law in 1926 at the University of Breslau, where he wrote a thesis on the participation of worker representatives in German corporate governance.

The Grünfeld family moved to Berlin in 1910, where young Henry Grünfeld attended local schools until the first World War, when his parents moved to a suburban villa. Returning to Berlin after the war, Grünfeld witnessed the violence attending the Kapp Putsch of 1919. After finishing secondary schooling in 1922 at the Staatliche Wilhelms-Gymnasium, Grünfeld started working in the Berlin office of his father's firm, A. Niederstetter & Co., a leading supplier of steel tubes and related products to German industry. He combined long office hours with law study at the University of Berlin, but also enjoyed the rich cultural life of Berlin in the evenings, when he and friends regularly attended concerts, theatre and cabaret. When he was not yet 21, Grünfeld took over management of his father's firm in Breslau. He very soon had to confront critical problems posed by the great inflation, industrial unrest and the world depression following the Wall Street crash of 1929. From his

beginnings as a manager, Grunfeld acquired a reputation in the steel industry for courageous sang-froid, sagacity and natural authority far beyond his years.

On 21 December 1931, Grunfeld married Lotte Oliven, departing as planned for their honeymoon, despite urgent pleas to join a committee of steel cartel executives meeting with the Reich Chancellor to discuss the financial crisis. In March 1933, two months after Hitler's assumption of power, Grunfeld and his father were summoned to a Berlin hotel to meet their company lawyer, who to their surprise appeared in SA uniform and told them they could no longer continue in the management of their Berlin office. Grunfeld was, however, able for a time to carry on in Breslau, where his position as Chairman of the regional steel cartel and acting Spanish Consul conferred temporary immunity from Nazi persecution. That ended abruptly on 20 April 1934 when he was arrested at his office by the Gestapo, without warrant or any charge, forbidden to contact his wife or a lawyer, and imprisoned, for the first twenty-four hours without food or drink. Released after three days, Grunfeld soon left for London, in order to canvass emigration and employment possibilities. After a six week stay, he returned to Breslau, where he and his father came under increasing pressure to sell their firm. They were eventually compelled to accept a price based on the book value of the enterprise in 1898, taking no account of its increase in size and value between then and 1934. From this derisory sum, 25% was deducted for the so-called Reich flight tax, and the proceeds were then denominated in blocked marks, which in 1935 fetched only some 10% of their nominal value. In order to collect even the resulting paltry amount, Grunfeld had to surmount endless bureaucratic obstacles. After further deductions and commissions, he was left with some £4,000 with which to start life in England.

On the introduction of mutual business acquaintances, Grunfeld met Siegmund Warburg for the first time on 17 March 1935 in The Hague, where they discussed the possibility of collaboration. That initially took the form of Warburg's New Trading Company, established earlier in London, taking a 10% participation in the capital of Grunfeld's own company, incorporated in 1935 as Portman Hill & Co. Both men shared modest City offices and gradually built up financing business, Portman Hill largely in factoring, and New Trading in the more traditional range of merchant banking, with helpful backing from N. M. Rothschild & Sons. Both men later recalled that they started in London with empty desks, aiming initially only to cover expenses, but ambitious to recoup the standing and fortunes of which they had been stripped by the Nazis. After some eighteen months' collaboration, Grunfeld and Warburg resolved to work together; within two years, Grunfeld sold his shares in Portman Hill to New Trading Company, and officially joined Warburg in that enterprise.

At the outbreak of war, Grunfeld was still a German national, and expected he might be among those in his position who were being interned, some deported to Australia or Canada. Noting that the police usually came to arrest aliens between 8 and 9 in the mornings, Grunfeld left his home daily at 7 and walked about the London parks until the danger period had passed. He became a British subject in May 1946. The same year, New Trading Company adopted the name S.G. Warburg & Co. Ltd.; at that time it had capital and reserves of some £290,000, and continued gradually to build its business. By the mid -1950s it had acquired a Stock Exchange listing through a holding company named Mercury Securities. Buying Seligman Brothers in 1957, S.G.Warburg & Co., still with only some eighty in staff, gained access to the Accepting Houses

Committee, and thus to the top rank of London merchant banks. Despite these and other successes, including a growing list of corporate and other clients, Warburgs was the butt of some condescending City amusement for its austere business-focussed lunches, unusually long working hours and Teutonic attention to detail. Condescension ended in 1958 after Warburgs successfully advised an Anglo-American group in its takeover of British Aluminium, against bitter opposition from much of the City establishment. This contested takeover bid marked a revolution in City practice and traditional relations among shareholders and corporate managers. Warburgs became a prominent name, and a stream of clients now came to the firm, whose international expertise was especially valued in rapidly developing global markets.

It was widely recognised that the Warburgs corporate culture, based on open communication, collegial as well as individual responsibility, and perfectionism in every aspect of business, gave the firm unique competitive advantages. While Siegmund Warburg was the indubitable leader, with his star quality and notable diplomatic brio, it was Grunfeld who was the reliably brilliant executant of firm policy. By choice remaining mostly in the background, Grunfeld nonetheless was crucially involved in every significant piece of business, often deploying formidable negotiating skills to bring transactions to a successful conclusion. He assumed primary responsibility for the firm's profitable metals trading subsidiary, Brandeis Goldschmidt & Co., and played a leading role as financial advisor to the British television company ATV and the Thomson Organisation, among others. The Warburg-Grunfeld collaboration, refined through years of shared experience, was so seamless that it became difficult to distinguish their respective contributions; when Siegmund Warburg

famously said "I could not have done it without you and you could not have done it without me," Grunfeld is reported to have replied, "you are probably right." Grunfeld also shared with Warburg thoroughly assimilated German Jewish origins. Although neither ever observed Jewish rituals, both were very much attached to their heritage with its emphasis on ethical teachings and on general culture; and having suffered the quintessential Jewish experience of persecution and exile, were steadfast in successfully defending their firm when it was attacked in the late 1960s in the context of the Arab anti-Israel boycott.

After pioneering the Eurobond revolution, S. G. Warburg & Co. expanded in size and became very much part of the City establishment, a change in scale and character that evoked dismay rather than self-congratulation on Grunfeld's part. By the 1970s Warburgs was widely perceived as the most distinguished merchant bank in London, though it never realised its ambition to play a truly important global role, largely due to disappointments in North America, where successive strategic alliances failed to cohere. Nominally retiring in 1964, though he was active in the firm until his death in 1982, Siegmund Warburg relinquished the Chairmanship of Mercury Securities to Grunfeld, who carried on until 1974, when he in turn retired at age 70 as Chairman of both Mercury and S.G. Warburg & Co. Grunfeld's retirement too was purely nominal: he continued to go to his office daily until just a day before his death, available to colleagues for advice, encouragement, and warnings that were not invariably heeded, especially as American styles in business-getting and executive compensation forced Warburgs into competitive emulation that Grunfeld deplored. When Swiss Bank Corporation acquired the S.G. Warburg Group in 1994, Grunfeld, then non-executive President of the Group, was named Senior

Advisor, a position he retained as the firm mutated, first into SBC Warburg, then into Warburg Dillon Read.

Tall, invariably dressed with sober elegance, Grunfeld had a penetrating gaze behind clear-framed spectacles. He was reserved, despite his eminence quite reticent, and could be intimidating, though friends and colleagues were allowed a glimpse of his understated wry sense of humour. Grunfeld had witnessed much human folly and evil, and had no illusions; but he was neither cynical nor pessimistic. He lived resolutely in the present, meticulously planning for the future. Stoic in most things, he suffered uncomplainingly from arthritis until both knees were replaced when he was well in his nineties; even then, he would dismiss his wheelchair at the threshold and walk unaided into meetings. Although living in England for the larger part of his life, and a polished stylist in written English, he never lost his German accent or Continental formality. Nor did he ever permit relaxation of the awesome standard he set for himself and others; perfectionism was evident in all he undertook. Those who saw him outside the City, in his country house in Surrey, knew another aspect of Grunfeld: his devotion to home and family, his garden, music, books and the ceramics that he collected with discernment. His wife died in 1993, and his daughter, Louisa Lewisohn, in 1985. Henry Grunfeld died in London on 10 June 1999, after a brief illness. He was survived by his son, Thomas, and numerous grandchildren. Obituaries paid tribute to his exceptional qualities of mind and leadership, his integrity and independence, and his contributions to the City, as a living link to pre-war haute banque traditions.

A. J. Sherman

[1,741 words]

moirs, but I have refused to do so,  
-ant of a great number of people  
- write about them, in the  
- heard from his

**Selected Reminiscences of Henry Grunfeld**

some  
**Foreword**

Henry Grunfeld always refused to write his memoirs. But eventually he did agree to a video interview one weekend at Moxley in the summer of 1994. The following document is an edited transcript of what were originally five hours of videotape.

Richard Lewisohn shot the video, while Richard Holloway conducted the interview.

After Henry Grunfeld's death, a corrected draft was found amongst his personal papers, which contained many additional handwritten comments. Trudi Paulie took on the task of retyping this entire manuscript. Henry Grunfeld would certainly not have wanted a wide publication of this document, so this edition is limited to 95 copies for family members and friends amongst the "younger generation", for whom he intended it.

London, October 1999

I have been asked many times to write my memoirs, but I have refused to do so, because, having been as a merchant banker a confidant of a great number of people who relied on my discretion, I feel that it would be wrong to write about them, in the same way as a doctor would not consider disclosing what he had heard from his patients.

However, as I reach my 90<sup>th</sup> birthday, I have been persuaded to talk at least about some facts and experiences which could be of interest to the younger generation. Therefore, what follows is not meant to be my memoirs, but just some fragments of my life story.

#### **GERMANY (1904-1935)**

I was born in 1904 in Breslau, at that time the capital of Silesia, a province of Germany. Both of my parents' families came from Upper Silesia and both families had been involved in its industrialisation from the second half of the 19<sup>th</sup> century onwards. After the Second World War, Silesia became part of Poland and Breslau is now called Wroclaw.

We stayed in Breslau until I was six years old and then moved to Berlin in 1910. One of my earliest recollections, which made a deep impression on me, is of an event in 1913. During that year King George V, the Tsar of Russia and Kaiser Wilhelm met in Berlin. We lived in a block of flats on a street where they passed from Berlin to Potsdam. I remember standing by the side of the road waiting for their cars to come. As they were in open cars, I could see them very clearly as they passed only three or four yards from where I was standing. World War I broke out the following year and the same three monarchs, all first cousins through Queen Victoria, were at war.

In 1915 during the First World War we temporarily moved to a suburb of Berlin where we lived in a very pleasant villa with a large garden, but food was scarce and became scarcer as the war progressed. We kept our own chickens for their eggs, a goat for the milk, even a pig for the meat. In 1919 we moved back to Berlin. While I was still at school the Kapp Putsch took place; a failed attempt by the military to regain power from the Socialists following the revolution. My school had to be closed and as I and my schoolmates did not realise how dangerous things were, we headed for the Reichstag and were almost caught up in the fighting in the streets around it. The Putsch collapsed fairly quickly, but it is an experience which one does not easily forget.

When I finished school in March 1922, I had to decide what I was going to do. There was always the option of joining my father's firm because, under the partnership agreement, both partners had the right to appoint one son as successor. I also had an offer to join another family firm, one of the largest firms in Germany supplying iron ore to the steel industry. At the time, however, I had the inclination to study psychiatry or chemistry. In the end, the decision was taken for me. My father had promised to take me on a four-week tour of Germany. Five days into the trip one of the key people in his office was taken ill. My father had to return and my four-week holiday lasted all of six days. I started working for my father's firm in Berlin soon afterwards.

At the same time I registered as a law student at the University of Berlin. In those days, and still today in Germany, it was very helpful to have a doctorate. I combined my legal studies with my work at the office. My office hours started at 7 a.m. following a 20-minute bicycle trip from home. I returned home at three and then went on to the university. In the evening, I was rarely at home but at one or other entertainment.

The 1920s were a marvellous time to be in Berlin with its outstanding theatre, opera, concerts and cabarets. The Berlin Philharmonic Orchestra under Arthur Nikisch was outstanding. My last school had been in the Tiergarten, which was Berlin's most respectable district and the pupils were mostly from very civilised families. Furtwängler, Richard Strauss and Bruno Walter were in turn Generalmusikdirektor of the State Opera House and every month or so during the season there would be an orchestral concert with the director conducting. People who had a subscription for the concert were entitled to tickets for the final rehearsal which was at 12 o'clock on the day of the concert. Most of our parents were subscribers and therefore had tickets. On the day of the concert several of my classmates and I would suddenly get headaches at 11 o'clock and disappear one by one, claiming we were too ill to stay at school. Our teachers knew exactly what was going on because it happened so regularly, but they turned a blind eye. My friends and I met again at the opera house and listened to the concerts that were led by the best and most famous conductors.

Every Sunday morning early, I went out to the ticket sales office of the theatres to get myself good tickets for the premières. I always liked to go to the premières because the most interesting people were there. One day I saw Albert Einstein, who was very musical and played the violin, sitting in front of me. I would say that at least three

nights a week, and sometimes more, I would either go to the theatre or a cabaret or concert.

I recently read a book about the history of Berlin, which describes this particular time. It is something which is very difficult to imagine happening in London because although Berlin was large, it was much more concentrated as far as culture was concerned. Every première of Max Reinhardt was an event. I saw Richard Strauss conducting several operas, including the *Rosenkavalier*. Everything changed when the Nazis came as many of the actors and musicians were Jewish or half-Jewish as well as many of the directors, including Max Reinhardt.

This life continued up until January 1923, when one day my father told me that his partner in Breslau had been taken seriously ill. We had to leave the next morning for Breslau and as a member of the family had to be working in the business I had to stay there. My apprenticeship in Berlin had lasted nine months. I continued my studies at the University of Breslau, working in the evening for my doctorate and during the day in the office.

In 1924, my father's partner died and it was considered essential that I should have signature and take over the management of the company, as my father lived in Berlin. Our lawyer took the view that as I was not yet 21, and therefore not of age, if there were disputes with any customers or supplier, they could claim that my signature was not binding. In order to overcome this, my father had to apply to the Court which declared me as 'of age'. As far as I know, such a case had not happened for years, if ever.

My most vivid recollection from that time was of the horrible inflation, which led to one billion marks being converted to one mark. The General Strike in 1923 was also very serious. Everything had come to a standstill; it took me about one hour to walk from my flat to the office and the animosity of the blue collar workers towards the bosses became very dangerous.

During the strike there was a telephone call from the water works of a town about fifty miles away from Breslau. A main had burst and whole streets were under water. They immediately required a very large valve, which our firm always had available for such an eventuality. They asked whether in view of the strike they could come, and I told them they should. When one is young one does not see all the dangers, one just does things

on impulse. I believe that many acts of bravery are not deliberate but the result of people not realising the dangers involved. That applied here too, because when the lorry arrived, none of the white collar workers in the office was prepared to come down with me because they thought they would be beaten up by the strikers. Therefore I had to open the large factory gate on my own. There were pickets from other companies to make sure that the pickets from our firm enforced the strike action. They were absolutely amazed that I was even contemplating letting the lorry in. I spoke to them and before they could really decide how to respond, had the lorry inside and shut the gate again. I then found one of our managers who agreed to help the driver and myself get this enormous valve onto the lorry and who then disappeared again. I opened the gate and the lorry drove out. At first the strikers refused to let the lorry out, but in the end they did.

This story is relevant to what happened at a later date. The leader of the strike pickets was a declared fierce communist, and many years later in 1934, when I was forced to leave the business, I went to collect my belongings. The office workers were terribly embarrassed and did not know what to say or do. I went down to the forecourt, where I had ordered a taxi to come to collect me and suddenly, before I could get into the taxi, all the factory workshops opened and the workers came out to shake my hand and wish me all the best and thank me for everything. The leader of these people was the same man who in 1923 had been in charge of the pickets.

As I said before, both my parents' families were involved in the development of the Upper Silesian steel industry. One of the largest steelworks, called Bismarckhütte, was developed by a brother of my grandmother and what became one of the largest chemical groups in Germany was started by my mother's father.

Many years later in London, I had an amusing experience during the introduction on the London Stock Exchange of shares of Schering, the pharmaceutical company, which had been a subsidiary of my grandfather's company. At the celebrations the Chief Executive of Schering said he was delighted to have the grandson of one of the founders of the company present.

Another family firm was Rawack & Grünfeld, which was a large supplier of iron ore to the German steel industry. There was also the Gesellschaft für Elektrometallurgie, making special alloys for the steel industry. When Hitler came to power, Herbert Grunfeld moved the headquarters first to London and then to New York. Our family

firm was called A. Niederstetter Co. and had been started in 1899 in Breslau. In 1910 it entered into a co-operative agreement with the tube division of the Deutsche Eisenhandel AG, which later became the Ravenische Rohrhandel in Berlin. This was the reason why we moved to Berlin in 1910. Alfred Niederstetter, my father's partner, managed the business in Breslau and my father the business in Berlin. Both firms were associated with the Deutsche Eisenhandel AG, a holding company, which before World War One comprised 120 companies and after the war – when part of East Germany became Polish – about 86. Our two firms were among the leading suppliers of many kinds of tubes and related products. In Breslau, we had a medium-sized workshop for fabricating steel tubes and also a separate department for building steel structures and stocking and supplying structural steel.

From my experience, there is for successful people often one incident that puts them on the map, suddenly bringing their name into the limelight. In the case of Warburgs in London, the company's status was changed by the British Aluminium battle in 1958. As a 22 year-old unknown in the steel industry in 1926, I was involved in an extraordinary event.

I must start by giving some background information about the industry. In the 1880s the brothers Mannesmann, whose company today is well known as one of the largest industrial groups, invented a new kind of steel tube between ten and fifteen meters long which replaced the heavy cast iron tubes until then used by the gas and water companies. When the Mannesmann patent expired in the early 1900s, Thyssen immediately started a plant in Westphalia and at the same time Bismarckhütte in Upper Silesia started a similar plant.

Half of Upper Silesia had been ceded to Poland, but under the Treaty of Versailles it had been agreed that there would not be any customs duty imposed during an interim period expiring on 30<sup>th</sup> June, 1926. This would result in companies like Bismarckhütte and other steel producers in this now Polish part of Upper Silesia no longer being able to ship goods to Germany without incurring prohibitive customs duty.

Mannesmann and Thyssen increased their prices for those special tubes by something like 15%, not on 30<sup>th</sup> June, but three weeks before. At the same time, they announced that these steel tubes could only be bought from their subsidiaries. This would have been very detrimental for our business, because the gasworks that bought the 'Mannesmann' tubes usually bought all other tubes from the same supplier. I rang the

Chief Executive of Bismarckhütte and asked him how many tons of tubes he could supply if the plant worked three shifts between that date and 30<sup>th</sup> June. He gave me his estimate and I agreed that our firm would buy the whole output during these three weeks.

Our executives then telephoned all the gas works in Central and Eastern Germany and offered them the tubes. As Bismarckhütte had not increased the price, they were at least 10 per cent. below the price which Mannesmann and Thyssen were now selling them. Of course everyone bought as many as we were prepared to sell.

The managements of Mannesmann and Thyssen were hopping mad because suddenly they were not getting any orders. We carried on selling and they rang and threatened us with exclusion from the cartel of which we were members.

I told them that if they were prepared to supply us in future, then we were prepared to stop selling. If they refused, we would just carry on. As they knew the disruption was limited to 30<sup>th</sup> June, they did not do anything and we continued to do very good business. Then what I would call a miracle happened on 30<sup>th</sup> June. It was announced that the traffic had been so enormous just before this date that the period of the customs duty free transport in and out of Poland and Germany would be extended by another three weeks. I immediately got in touch with Bismarckhütte and bought all the further output.

Having thought their problems were over, Mannesmann and Thyssen now saw that the market would continue to be disturbed by us. They rang on 2<sup>nd</sup> July to ask me to come to Düsseldorf and meet them. They had first contacted my father to complain about me. He told them it was not up to him but that they would have to talk to me. I told them I would not come to Düsseldorf until I knew what they were offering me. They replied they were prepared to accept my conditions. I took the next train, we signed an agreement and our firm sold the rest of the second order at the "official" price which we had just fixed, which was not so bad for us either. The event made my name in the steel industry. It was rare for someone to stand up to Mannesmann and Thyssen, which were very large and powerful companies. From then on, in spite of my relatively young age – I was 22 years old at the time – I was accepted by the steel industry as someone to be listened to.

In 1931, Government economists advised the Chancellor that a 10% deflation from

1<sup>st</sup> January 1932 (i.e. that all wages and all prices should be reduced by 10%) would help to put the economy back in shape. By this time millions were unemployed. The depression was causing terrible misery and Nazism was already on the rise. This deflation idea was of course idiotic, but the Chancellor accepted it. The steel industry was furious: how could they reduce the price of iron ore and the other components that went into making steel? As they were one of the most powerful bodies in German industry, it was agreed that a committee representing the steel industry would talk to the Chancellor to explain that it was not possible for the steel industry to accept the plan and to find out what the steel industry could do to help. The committee consisted of executives of Mannesmann, Thyssen, Krupp and Otto Wolf and myself.

I was then 27 years old and thought it a very considerable achievement to be nominated as a member of the committee. We waited for the meeting to be called with the Chancellor. On 21<sup>st</sup> December 1931, I got married. On our return from the Registrar's office to the flat of my parents-in-law, just as one of my nephews was reciting a poem and giving us a bouquet of flowers, the telephone rang. It was the Secretary-General of the steel cartel who was calling to tell me that the meeting with the Chancellor would take place the following day at 11 o'clock.

I told him that I had just married and that I was leaving for our honeymoon the same afternoon. He asked me what difference would it make whether I left that day or the next for my honeymoon. Although I considered my membership of the committee very important from the point of view of my career, after having taken a very deep breath I told him that I would not be able to attend. I certainly never regretted the decision in the light of later events after Hitler came to power.

I think I should now mention what happened to me when the Nazis took over. On 31<sup>st</sup> March 1933, my father and I were asked to a meeting at the Hotel Kaiserhof in Berlin, which was opposite the Chancellery. To our surprise, our company lawyer appeared in SA uniform. We were told that there was no possibility of us remaining in charge of the company in Berlin and that, although we could not be forced to resign and to give up control, we should realise that unless we did, instructions would go to all government and municipal parties not to give our company any further contracts. We should consider how the workforce, with unemployment looming, would react, but the decision was in our hands.

This was of course complete blackmail, but we had little option. It turned out that we had a number of Nazis working in our office who had given the Nazi authorities any information they wanted. I remember going with my father to the office the next night between 7 and 8 p.m., when we knew it would be empty, to collect our papers like thieves.

The next day, I went to Breslau where things were somewhat different. I could still continue working in our office there. I was Spanish Consul and remained Chairman of the regional cartels.

I have been asked how anti-Semitism in Germany made itself felt for people like myself. Until 1933, when Hitler came to power, I had no problem. My family was totally assimilated and nobody raised any question in this respect. The stories that are told about Nazi propaganda and activities up to that period are no doubt true, but we were not affected.

To give an example that took place in Breslau following my return in April 1933, May 1<sup>st</sup> had been declared by the Nazis as a public holiday and because the weather was beautiful my wife and I stayed at home in the garden of our flat. I heard afterwards that workers from our office had decorated a lorry with Swastikas and flowers and had come to the house to serenade me!

The following demonstrates the attitude of many Germans. One morning at 8 a.m., I had a telephone call from the Mayor of a town about fifty miles away from Breslau, whose population was about 25,000 people. He asked whether I could come immediately, as something very unfortunate was happening and that having met me, he thought I could help. So I drove to meet him at the town hall. (Being a Mayor in Germany is not an honorary position as in Britain: they are appointed as professionals to run the town.)

The Mayor told me that Colonel Geisler, who was a customer of ours, was facing a severe financial problem. He owned the main store selling steel and other supplies to the whole district (which contained many sugar factories). He was a distinguished man and head of the town council; a widower whose son had been killed in the First World War. What had happened was that two potato dealers had bought the potato harvest from the local farmers with bills of exchange, as was the usual practice. As the dealers' bank was not sure of their credentials, they asked for an endorsement or guarantee

from a third party. The dealers had gone to Colonel Geisler who had gladly endorsed the bills and therefore became responsible for the payment of the bills.

The bills had fallen due but the dealers could not pay. The bank asked Colonel Geisler to pay but he did not have the cash suddenly to pay hundreds of thousands of marks, which meant that he would become bankrupt, together with the potato dealers. This would have been a terrible scandal for this little town.

To cut a long story short, between nine in the morning and midnight, his business was converted into a limited company. I spoke to the principal creditors, some of whom were members of our group, who agreed to convert loans into capital so that the amount of loans was greatly reduced. I got hold of a person who worked for one of our group companies in Danzig, and asked him to come immediately to take over the management. By midnight everything had been sorted out. Geisler was saved because his business was now a limited company and the principal suppliers had converted their loans (which reminds me a bit of other deals today) into shares, which was at that time rather unusual. Meanwhile the banks agreed to extend loans to Colonel Geisler to enable him to pay the bills.

Then the following happened, which is my reason for telling this story. The Mayor and Colonel Geisler showed me out to my car where my driver had waited from 9 a.m. until midnight and the Mayor thanked me profoundly for what I had done. Then Colonel Geisler, with tears in his eyes said, "Well, you have absolutely saved me! I don't know how to thank you. You know, the people who did this to me are even worse than the Jews." These were his parting words.

I wanted to reply, but I did not. Of course, he had no idea I was Jewish, but I think the story speaks for itself. I probably should have answered him, but that is not the point. The point is that it demonstrates the inbuilt prejudices of outwardly normal, pleasant people.

My appointment as the Spanish Consul had quite unusual consequences. I was appointed by the Foreign Office in Madrid in December 1932, after the appointment had been approved by the Foreign Office in Berlin. However, under the Diplomatic Code, following the formal appointment, the Foreign Office in Berlin had to give what is called the Exequatur, without which one was not supposed to exercise one's duties as a Consul. While the application from Madrid was lying on the desk at the Foreign

Office in Berlin, Hitler came to power. One of his first instructions was that no non-Aryan could be a Consul. So the Foreign Office in Berlin stalled and did not give the Exequatur. The Foreign Office in Madrid said they did not take any notice of this and told me that they expected me to fulfil my duties as a Consul. As the German Foreign Office continued to refuse me the Exequatur, the Spanish Government refused to give the Exequatur to any newly appointed German Consul in Spain.

This continued until I wrote to the Foreign Office in Madrid from London after having emigrated in 1935. During this whole period, no German Consul could be appointed as he was not given the Exequatur in Spain. This took place pre-Franco; the attitude of the Spanish Government in this matter was extraordinary and marvellous.

During the time when I was still Spanish Consul in Breslau, an incident took place which in retrospect may look amusing, but at the time was a great problem to me. I received a telephone call from someone at the Spanish Embassy in Berlin, who told me that a whole shipload of oranges which had been shipped from Spain to Hamburg had been confiscated. Most of it had been forwarded to various places in East Germany. The reason for the confiscation was that the oranges had been wrapped up in paper with the picture of Stresemann, the former German Chancellor, and the SS considered this an insult to the "Führer". The Spanish Embassy explained to me that the grower of the oranges had used the wrappers which he still had in stock from previous shipments, and that he had not the slightest intention of insulting the Führer – would I please see immediately the SS in Breslau, as the matter apparently fell into their competence, explain the background and ask them to stop the confiscation of the oranges immediately. This put me in a very awkward position. On the one hand the German authorities – not having given me the Exequatur – did not recognise me as Spanish Consul, and if I acted as Consul, they could take measures against my person. On the other hand, the Spanish authorities regarded me as Consul and if I refused to act, were most likely to terminate my appointment.

I decided to take the risk of provoking the German authorities because I felt that it could be very important for me to have the Spanish Foreign Office behind me. I went in my large Mercedes – driven by a man whom I had employed since 1924 and who, it later turned out, had at that stage already been a member of the Nazi Party – to the headquarters of the SS, which was in the medieval town hall of Breslau. Inside the entrance there were two fierce looking SS men in their black uniforms with two hand grenades in their belts. I told them that I was the Spanish Consul (I did not give my

(name) and wanted to see someone to pass on a message from the Spanish Embassy. They led me to an office. I was relieved to see the man sitting there not wearing a uniform. I again introduced myself as the Spanish Consul – again not giving my name. I told him the reason for my call and said that the Foreign Office in Madrid would be happy to write a letter of apology to the German Foreign Office. The man – he had not given me his name either – said that a decision could not be made by him but had to be referred to the Hamburg SS and he thought that in view of the "importance" of the matter they would refer to the headquarters of the SS in Berlin, and that this might take some time. I argued that as oranges were perishable, the matter was of great urgency. He said he would try to obtain a decision by 11 o'clock the next day. Where could he telephone me? As in no circumstances did I wish him to know who I really was, I said that I would be travelling the next day and that it therefore might be better if I were to telephone him, to which he agreed.

When I telephoned the next day, he said that the SS had agreed to release the oranges, but that it was very important for the Foreign Office in Madrid to write a really serious letter of apology, which I of course promised they would do. As I said earlier, such an incident looks most ridiculous, but at the time it was a very serious matter for me – quite apart from the fact that it provides a glimpse into the ways in which the Nazis exercised their power.

On 20th April 1934, two men appeared at my office. They turned out to be Gestapo officers, who said they had an order to take me away. I was not allowed to contact my wife and was ordered to their car. They took me to the police jail, put me in a cell and confiscated my belongings, even my watch. For 24 hours, I was given no food or drink. The next day I was taken to another prison with ordinary criminals and told there that I would be put on a transport to a hard labour camp, from which I would probably have never returned. I remonstrated with the prison guards, shouting that I was the Spanish Consul, that it was out of the question for them to do this. This seemed to have some effect on them and they took me back to my cell, which I shared with an ordinary criminal.

We already had a Nazi Commissar in our firm in Breslau. I had given instructions (because I was always afraid that something like this could happen) that nobody was authorised to sign bills of exchange for the firm except myself (bills of exchange playing a much greater role in Germany at this time than in London). This Nazi Commissar found out where I was and rang the Gestapo, telling them that the business would

come to a standstill unless all the bills of exchange were signed. In the meantime, someone had discovered where I was and told my wife of my whereabouts and that I would be brought out to sign these papers. To my amazement, I was taken from my cell to a room where I found two warders and my wife, with our little boy Thomas in her arms and (she knew me very well) a huge parcel of sandwiches and a thermos of coffee. This was the first food I had eaten for nearly two days.

The Nazi Commissar was there with a heap of signature books and there followed a scene that should have been filmed. I was sitting at a table, eating sandwiches and drinking coffee with one hand while signing all the bills and other documents with the other. When I had finished signing, I was taken back to my cell.

Meanwhile, my remonstrations that I wanted to see a judge had had some effect. I was taken to another building. I remember it was mid-afternoon when judges do not normally sit. He was fortunately one of the old guard who knew who I was. He started by saying, "Well, what can we do to get you out of here? Can I get your passport, for instance?" I told him that he could telephone my wife. This he did and she arrived with the passport and he then told us we could leave. He explained that the following day was Hitler's birthday and that nothing was likely to happen because everyone in the Party would be busy celebrating. He told us to disappear as quickly as we could and go into hiding as far away as possible, as there was every likelihood that the Gestapo would re-arrest me.

I went home, too exhausted to leave that same night after nearly three days of being treated in the way I had been treated. The next morning, we left in our car for Berlin with Thomas and his nanny. They stayed with my wife's parents and we then drove far away to the Black Forest.

We stayed in a small hotel where nobody would expect us to be. On 30<sup>th</sup> June 1934, the so-called Röhmputsch took place. The creator of the SA Storm Troops, together with Heines, who was the head of the SA in Breslau (and who was the man responsible for my arrest and also happened to Röhm's lover) plotted to overthrow Hitler. This came to the knowledge of Hitler and he had them shot, allegedly while they were in bed, at a holiday resort in Bavaria.

We decided to chance the trip back to Berlin. We could not make the journey in one go and stayed the night in Nuremberg, only to find that Hitler was staying in the same

hotel, which gave us a very disagreeable feeling. When we arrived in Berlin, people were out in the streets; everyone thought that the Hitler regime would change following the putsch. Of course in the event it did not. We went back to Breslau straightaway. I got my passport back, and the Gestapo people, who also thought that things had changed, as well as their leader having been killed, behaved in a nauseating way, begging me not to talk about the way they had treated me. They of course claimed that they were under instructions and had been ordered to do the things they had done. We left for London soon afterwards in order to find out what we could do there.

We stayed in London for about six weeks, but returned to Breslau in the early autumn of 1934 without having found anything that would interest me. Then, among the many people with whom I discussed possible options, I spoke to a very good friend of mine from my schooldays, Heinz Steinert. He had a friend who, although a bit of a playboy, was a very nice fellow. His name was originally Wagner, but he had himself adopted by a Mr. von Kaltenborn, so that he became Horst Ulrich Wagner von Kaltenborn, which of course sounded much grander. He was married to the niece of Albert Voegler, the head of Vereinigte Stahlwerke AG, the largest steel combine in Europe. Heinz Steinert told him about my ideas for London.

Wagner von Kaltenborn had heard that the New Trading Company was being formed in London as a vehicle for Siegmund Warburg, who had emigrated from Hamburg, and that this new company was sponsored by the Dutch International Corporation, a group of Dutch banks and finance houses, which included Wodan Handelsmatschappei – an associated bank of Comes & Co., a recently "aryanised" private bank in Berlin, which now was owned by Wagner von Kaltenborn's uncle and in which he himself worked as "Prokurist". The Chairman of Dutch International Corporation was Mr. Alfred Honigmann, a close confidant of Voegler. Wagner von Kaltenborn had been told that New Trading Company would need someone from the industrial and commercial world and he thought that this could be an interesting position for me. Wagner von Kaltenborn then introduced me to Mr. von Becker, who headed the new management of Comes & Co., who in turn introduced me to Mr. Honigmann when he visited Berlin. We agreed that when leaving Germany for London, I would arrange this on a day when a meeting of the Dutch International Corporation was taking place in Holland, so that I could stop there and Honigmann could introduce Siegmund Warburg and me to each other.

My first meeting with Siegmund Warburg happened on 17<sup>th</sup> March 1935 at the Hotel des Indes in The Hague. The three of us talked for about half an hour and on parting Siegmund and I agreed to meet again in London.

After the War was over, we discovered that both Mr. von Becker and Horst Ulrich Wagner von Kaltenborn had been members of the SS and were both killed on the Russian front. We also found out that Mr. Honigmann, who was responsible for Siegmund Warburg and myself meeting, had been the Reichskommissar for Economic Affairs in Holland during the war. When the allies invaded Holland he was imprisoned and died in jail. I think it is amazing that Siegmund and I should have met through the intermediation of three people who were all Nazis.

Siegmund Warburg and I met again in London on several occasions, both socially and on business. However, we did not get together immediately. On my arrival in London, as I will explain later, I had very little money. I had the choice of either accepting a job with a fixed salary, or of starting my own company with no salary or guarantee of income, relying entirely on my wits. It was a difficult decision. I had a wife and child to support and extremely limited means at my disposal. I will now explain why this was so.

Initially in 1933, my father and I had only resigned as managers of the Berlin firm. But during 1934, it also became impossible to continue working at the Breslau firm. We had a meeting with the firm's lawyer, who again appeared in SA uniform. For our share of the partnership (it was not a limited company), all we were offered was the book value of the company based on the value of the property in 1898. I was of course very upset, pointing out that the profits of the company were totally out of proportion to the book value. His reply was that what I meant was the value of client goodwill. "All right" I said "Call it the goodwill". To this he said "Well, you see the problem is this: you are the goodwill of the firm at present and as you are leaving, how do we know that the goodwill will remain following your departure? So we can't pay for it." It was impossible to get one penny more out of them; it was absolute robbery. All we received was the book value of the company as calculated in 1898, taking no account of the increase in the size and value of the company between then and 1934.

People wanting to emigrate had to pay 25% tax on all the money they wanted to take with them. This was called Reichsfluchtsteuer. So you were left with 75%. Then, once one had left Germany, this money became "blocked Mark". At the time of my

emigration in 1935, this amounted to 10% of the real value of the Mark, so that in effect one was left with 7.5% of the original amount, or in my case 7.5% of the value of the company 36 years earlier. This left me with very little money. I was forced to find out what else could be done and applied for special permission to transfer five thousand pounds abroad (which although worth more than today, was nonetheless not a huge amount). This was in October 1934, following our return from London. To be allowed to take the money, I set about getting references from industrialists and others with whom I had worked. I collected six letters addressed to the Ministry stating what I had done for German industry and what I could do on Germany's behalf once I was in London, that I was reliable and helpful and so on. Although it was a fairly disagreeable thing to have to do, everyone I asked gave me a reference.

I applied with the letters to the Ministry and then waited and waited. From October to November to December until eventually on 30<sup>th</sup> January 1935 (I remember this date very well as it happens to be my son Thomas' birthday), I received a note that the application had been turned down. You cannot imagine my fury after such a long wait. I immediately went to the Ministry and asked for the man who had signed this particular application. He was a senior official. I told him that I could not understand why, with all the references I had sent, I had been turned down. As he was not a real Nazi, he said, "Well, I can tell you why. Among the various references you gave us, there was one which sounded suspicious to us". I asked which one and he told me.

It was from someone whom I had known since I was a little boy; I often saw him when I visited my uncle. This uncle had been deputy chairman of the then German equivalent of the CBI. My uncle had engaged this man to be Secretary General of the organisation. He had a background in teaching and also politics, as a member of the Deutsche Volkspartei, which had been formed and led by Stresemann. The Deutsche Volkspartei was merged into the Nazi Party when they came to power. Needless to say, the Nazis were very suspicious of people who had belonged to other parties. This man was terrified of losing his job as Secretary General and his position as Member of Parliament in the next election, as this was his sole income.

He was obviously very embarrassed to be asked to give a reference to what he would call a non-Aryan. Unfortunately, it had not occurred to me that he was afraid that what he wrote could be held against him. Because of his fears, he only wrote two very neutral lines, that he knew me and something along the lines of "I don't think he will

do any harm". When I sent the references off, I wish I had recognised the ambivalent tone and not sent his.

I explained to the man in the Ministry why the person concerned had written in the way he had, what his background was, and so on. After a pause he left the room, asking me to wait. I waited a very tense and disagreeable fifteen minutes before he returned with a new letter stating that the financial transfer had been approved. I should add that I was not allowed to transfer the money; instead, to receive the money I had to sell £5,000 worth of German machine tools in England. The export of these tools from Germany to England could be paid from my blocked D-Mark account and I was permitted to sell the machine tools and collect the Sterling. Needless to say, I did not have the experience or contacts to sell machine tools in England and therefore I went to a dealer who specialised in importing them. He was delighted to get the business and charged 20% commission. So I lost £1,000 of the £5,000, which meant a lot to me, but it was the only way of doing it at the time.

I have been asked why we decided to emigrate to London in preference to other cities, in particular New York. I think the real reason was that none of us believed that what was happening in Germany would continue indefinitely. As we had left our parents and relatives behind, we thought that it would be the right thing to settle nearer to Germany and not go as far as New York. That is the only reason I can give. I knew France, Switzerland and Italy very well, but England was practically the only country in Western Europe that for some reason I had never visited.

My first language as a little boy was French. At that time, French was the language that people in civilised society spoke. My parents had engaged a French governess for my sister, who was four years older than me. By the time I was one year old, I had learned to speak French as the governess did not speak a word of German. I only really learnt German shortly before I started school. English, as I said before, was not obligatory at school. People in the Rhineland all spoke French, as well as educated people in Poland and Russia. When one travelled to Egypt, French was the common language and not English. This may to some extent explain our decision to live in London; I had been to Paris a number of times and did not feel I would like to live there.

My six weeks exploratory visit to London in 1934 gave me the idea that I would feel much happier living there than in any other country, although it was not easy to get

permission to settle here. There was a joke going around at the time. A man said that he was moving to Shanghai, to which someone retorted "So far away!". "From where?" the first replied. At the time we left Germany, we still did not believe that anything really serious would happen and that a few years later we would go back and things would have changed.

I travelled back to Germany from time to time after 1934 and was able to do so for the following reason. The passports of non-Aryans were stamped with a large "J" and one would not dare go to Germany with such a passport. However, my passport was still valid for two or three years and the "J" would only have been put in when it was renewed. Therefore, while there may have been some risk, I went there two or three times to see my parents. From outside the country, the situation in Germany was clearly deteriorating in a way which people who lived there could not recognise or understand. As time went by, I became more and more worried until in 1937, I flew to Berlin for 24 hours to insist that my parents should leave before anything happened to them.

I spent the night in their flat and next morning took a taxi to Tempelhof airport. The taxi stopped at a red light. A huge open black Mercedes drew up next to us, and there was Himmler with his entourage just a few yards away from where I was sitting. I decided there and then that I would never return to Berlin. My parents got out just before people started being deported.

You asked me how people reacted when they heard I was leaving Germany. My father-in-law took me aside the night before we were due to leave for London and more or less told me that I was crazy, that emigrating was nonsense. He told me that I should stay and, as I no longer had a job, he would make me a partner in his firm. Because of what I had experienced I was absolutely firm: I just did not want to stay. Naturally many people could not believe that what was happening could continue. This I think is understandable. Generations of Jewish families had lived in Germany as part of society. They thought that what was happening would pass, so they saw no reason to leave. It turned out to take very, very much longer to pass than anyone had thought, with a terrible loss of life among the people who decided to stay.

**LONDON (1935 – 1958)**

I think I should now relate things that happened when I came to London. We left our son Thomas behind in Germany while we investigated where we would settle. We took a bedsit in the Mount Royal, where my wife acted as secretary and cook and did everything she could to help me. I took English lessons and had correspondence and talks with quite a number of people to find out what I should do. We regularly saw the Warburgs socially. Eventually in June 1935, I decided to go ahead on my own rather than taking a job.

Siegmund Warburg and I agreed that the New Trading Company (of which he was not a director, as it was not desirable to have German directors on the letterhead at that time) would take a participation in a company which I would form. We would have offices connected to each other in order to find out whether we really got on together. The rooms I rented for my business were so small that I had to have special furniture made in order to get it through the doors. I had a male secretary, and that was all. Siegmund Warburg did not even have space in the New Trading Company's office. He sat in a horrible room in the same building as ours, which was loaned to him by Brandeis Goldschmidt, whose principal owner's wife had been a Warburg.

As my means were very limited, the whole Ordinary Capital of my company was £2,000. The New Trading Company, whose own capital was also limited at £125,000, subscribed for an additional £200 (that is to say £2,000 of participating preference shares, 10% paid).

So I started with £2,200, and I think I should quote what one of our graduate trainees asked me the other day during a question and answer session. He asked whether Siegmund Warburg and I had planned the development of the company to what it is now. I answered that we both started in business in London with completely empty desks and were totally opportunistic, getting whatever business we could. Planning the future certainly did not come into it. Our only aim was to cover our expenses and, if possible, make a profit.

The name New Trading Company was of course a complete misnomer. 50% of the company belonged to the Dutch International Corporation, 25% was owned by Harry Lucas, who was the manager, and the rest by the head of Brandeis Goldschmidt, Paul Kohn-Speyer, and by the whole of the Jessel and Lucas family. As half of the capital

had been subscribed by the Dutch International Corporation, and as in Holland, banks are called Handels companies (Handels translated into English means trading), they hit on this crazy idea. The name was an absolute impediment in our business, because if you wanted to do financial transactions and you said you come from the New Trading Company, people could not understand how a company with such a name could offer financial services. I had nothing to do with the name, as the company had been formed before I joined, by which time it was too late to change it.

The naming of my own company was quite amusing. Siegmund Warburg's associates in the New Trading Company had already decided on a name for my company, their idea being that I would do the kind of business that a bank could not do and that they would finance it. They felt that the name Transoceanic Company would be appropriate. I told them that it sounded so bogus that I was not prepared to accept it and wanted another name. At that time, you could just think of any name for a company; you could have even called yourself the House of Windsor and nobody would object. So the next morning Harry Lucas told us he had a marvellous idea. He had dined in Portman Square the previous evening and it occurred to him that we could call the company Portman & Co. I agreed that it was a good idea and that Portman & Co. sounded fine (the name did not bother me that much; I could not be a director anyhow, as the names of directors and their nationality had to be shown on the company letterhead, and a German national on the Board would not have been helpful to the business).

Then Richard Jessel, who was a shareholder of New Trading Company, said to me: "You know, this is too much of an impertinence; the Portman family, and there aren't many Portmans about, would take it very amiss. You must somehow water it down. I suggest you call it Portman Smith & Co." To this I replied, "Well, you know, not having been born in this country, I will never be able to pronounce the 'th' as I should and the last thing I want is to have a name for my company which I can't even pronounce". He replied that we must have a very common name to reduce the impact of 'Portman'. So the next thing I did was to open a telephone directory to discover the next most common name after Smith. I found that it was Hill. So we called the company Portman Hill & Co.

The first time that I earned some money was through someone whom I knew. I was asked to come to Paris by a partner of the law firm Bouvier and Beale (Mr. Bouvier was the father of Jackie Kennedy). He asked whether I would be interested in looking after

the industrial interests of someone whose name could not be revealed to me. I later found out who the mystery person was, but I do not think it is material to the story. I was extremely happy to reach agreement that for the following six months on a trial basis, my firm would receive £50 per month plus expenses. It was my first transaction in London. The next were in the line of factoring which one could do without many staff, but where quite nice profit margins could be obtained. It was necessary to invent new business; nobody had been waiting for us to arrive! In the following two years we increased the number of staff very slowly, then moved into larger offices, at which time the company employed 10 or 12 people and had considerable expenses to cover. The whole development was really very slow. It was only through the fact that Siegmund Warburg had been a trainee in London with Rothschilds that a close connection developed with them and they financed business which we were introducing.

Portman Hill & Co. still exists today and remains successful. It developed very well and became much more than a factoring house. After two years, I sold my 2,000 shares to the New Trading Company in exchange for shares in New Trading Company. We engaged a specialist in trade with Manchuria and India and did very good business as a confirming house, until we decided it no longer fitted in with the rest of the operation and sold it.

The development of New Trading Company during the War was not easy. It was still the law that if someone was naturalised it had to be stated on the letter-heading. If Siegmund Warburg's name had appeared it would have listed him as *Siegmund Warburg, British, formerly German*. Therefore it did not appear.

When the bombing in London started, Chamberlain and his people decided that refugees from Germany were a menace and had thousands of them rounded up and deported. One ship on its way to Canada was torpedoed by the Germans and everyone on board was killed. Another shipload, which included Freddie Fisher, who later became editor of the Financial Times and equally a director of Warburgs, was sent to Australia. Most of the others went to the Isle of Man. Now I did not intend to spend the war behind barbed wire and as it was known that the police came to arrest people between 8 and 9 in the morning, I left our home in Oakwood Court every morning at 7 a.m. and walked around Hyde Park and Kensington Gardens. I was not the only one; there were quite a number of people doing the same. The period up to the acceptance of my English friends' application of exemption from internment was

very difficult. When you woke up in the morning, you did not know whether you would be at home that evening.

As soon as Churchill came to power, he changed all this; he was intelligent enough to see that we were the best people to use in the war effort. Everyone was released immediately and allowed to join the army, at first in the Pioneer Corps. Ronnie Grierson was the only German refugee to become a Lieutenant-Colonel during the war. He spoke French like a native, having gone to school in Paris, and was dropped behind the lines in France where he worked with the Resistance.

Later, I was in the Fire Guard in the City, which sounds pretty harmless, but was not. We arranged that Siegmund Warburg and I were on duty together twice a week. This meant that we spent the night in the office, which was far from amusing when the German attacks came. After one attack we both went out to see what had happened because we knew a bomb had fallen nearby. I will never forget what I saw. It had fallen on a pub full of people and it was a horrible sight. The carnage was unimaginable. Just when we wanted to go back the siren sounded again and we had to run for our lives. The Fire Guard was totally useless, of course. If there was an attack what could we do? If there was a fire, we could not have done anything about it, but it was one of those stupid things that happened during the war. The very great advantage was that Siegmund Warburg and I spent an enormous amount of time discussing things and many years later, after the war, if we had a problem, we would say we needed a fire guard night to solve it as there was no time during the day.

You asked how I earned a living in the first years. I was just living on my wits. I had no salary and in the first year of its operation Portman Hill made a profit of £850. It was agreed that I would draw the whole of this amount as my salary. Today £850 would be about 20 times as much, something like £17,000. It was not very much, but it was a beginning; at least we had no losses. Nor did Siegmund Warburg draw a salary, but was also dependent on the earnings of New Trading Company.

You asked what the environment was like for a newly established merchant bank in London. We had to fight for everything. We had some very serious setbacks, which were resolved, and slowly we developed a securities business and a very small issuing business. It was the kind of business that really only covered expenses. We were still a very small firm of about 40 to 50 people.

The name change to S.G. Warburg & Co. was absolutely essential. Siegmund Warburg was terribly reluctant to give his name to the company. As Chernow writes in his book, he was still suffering from the trauma of the 1931 affair of Warburgs in Hamburg, which had to be rescued by the New York relatives, and he was worried about the possibility of something similar happening to a bank which bore his name. He lived in Roehampton and I lived on Putney Hill and, every Saturday or Sunday or both, we would walk for hours on Putney and Wimbledon Common to discuss business matters. I think it took me five or six weekend walks to convince him that it was in the interest of the development of the firm that, as he happened to have a name which was a very well known banking name throughout the world, he must use it for the benefit of all concerned. It took a very long time to persuade him, but from the day we had the new name we did a lot of business that we could not have done with the name New Trading Company.

If Crawfords had existed in 1947, there would have been no entry whatever under S.G. Warburg & Co. because we had no corporate customers. It was around this time that we heard that ICI had a difficult problem with their shareholding in Dynamit Nobel in Cologne, which dated from before the war. So Siegmund Warburg and I went to see the finance director of ICI, who had never heard of us. We said that we did not know the exact nature of the problem, but that if he would tell us, we might be able to use our considerable knowledge of matters on the Continent to help. He gave us all the necessary information and within a few weeks the problem was solved and ICI was very pleased.

News of this sort of thing gets around; that Warburgs, which nobody had really heard of, had solved a problem for a company like ICI. Our next customer was Laporte, another chemicals group, who called to ask if we could help them with a problem they had in Italy, which of course we could and did. So really our corporate finance business developed from the international side into the domestic side. The finance directors and treasurers of the companies that we helped on the Continent and in America noticed that perhaps we were not quite as stupid as foreigners were expected to be and decided that we might even be able to help them with certain problems in the UK. That was the origin of our corporate finance business, which has now grown to be the largest in London.

I think it is quite instructive; at that time London merchant banks had become totally insular. Most, whether Rothschilds, Schroders, Lazards or Hambros, had been started

by foreigners who had come to London. The next generations became so anglicised that they no longer even spoke their original language. To give an example, when Siegmund Warburg returned to Germany for the first time after the war, he called on the finance director of Hoechst, one of the largest chemical companies in Germany. He had not met him before and had a very pleasant meeting. At the end of the conversation, Siegmund said he realised that there was not much chance of doing business with them, because he knew that Schroders, who had a large German clientele, had been their bankers for decades before the war and, he assumed, after it as well. To which the finance director replied, "No, no you are quite wrong. You are right that they were our bankers, but I can tell you that after the War, they sent two directors to see us and neither of them spoke a word of German. While of course I speak English, to take it for granted that one can do business in Germany with a large company and assume that everyone speaks English, we considered such arrogance that we are no longer going to do business with them and would be very happy to do business with you." Of course Siegmund Warburg spoke to him in German. We worked on some of the largest transactions in Germany, which helped us of course to get further German business. All this dated back to that meeting. When we did the first international issue in London, Schroders insisted they must be included. Reluctantly, Hoechst agreed to let them have second place.

By the late 1950s, we were established but not really well known. Perhaps I should tell you a story that I think shows what the situation was. There was a highly respected issuing house in the City called Helbert Wagg & Co., who had previously been stockbrokers as far back as the 19<sup>th</sup> century. Their business was entirely complementary to ours. They had a large issuing business but did not do banking business, while we did everything else but did very little issuing business. So merger negotiations were started between Helbert Wagg and S.G. Warburg & Co. The Chairman, Lionel Fraser, was all in favour, as were we. Good progress was made until one morning Lionel Fraser telephoned to say that the deal was off. We could not understand why and he told us that his five partners had seen him that morning and told him that having thought about it, they could not imagine that the style in which Warburgs worked could be acceptable to them. They could not possibly arrive at the office at 9.00 a.m. and work the hours that Warburgs did. If the merger was to go forward they would not be part of it.

They later merged with Schroders and Schroder Wagg & Co. is a combination of the two banks. When I mentioned this story to Stewart-Roberts, who was working for

Helbert Wagg at the time, he laughed. He told me how they worked. The staff had to be at the office at five minutes to ten, there was a one hour lunch, and they could pack up at five minutes to five; it was the same throughout the City. Of course this was very different from what we did. It was not in order to beat anyone. It was just the way we were used to working. Siegmund Warburg and I were used to arriving at the office at about 8.00 a.m., as nobody in Germany started much later. Of course today things are different. It gives you an idea what the City was like when the British Aluminium war broke out.

We were an established and reputable firm, doing business in America and Brazil, although at that time we had no branches in Europe. Having bought Seligmans, we became an Accepting House and, therefore, a member of the Accepting Houses Committee and from that point of view, of course, we were considered a respectable organisation. The Governor of the Bank of England was Mr. Cobbold, later Lord Cobbold, and when we became an Accepting House, he expressed the wish to meet us, as we had not had much to do with him up to that point. So Geoffrey Seligman and I went to see the Governor, who more or less told me that I must learn, although I was a foreigner, to behave like an Englishman and so on. I was absolutely livid, considering the position Siegmund Warburg and I had had in Germany. It showed an absolute lack of understanding that people from other countries might perhaps be quite honourable. It reminded me of the story of an Englishman being asked to sign the alien's register at a hotel in Rome. He said "What? I am not an alien, I am British!" That was the prevalent attitude at the time, which may be difficult to understand nowadays, although quite a lot of people think similarly even today, and even in our office.

The British Aluminium affair of 1958 was significant because for the first time someone stood up to the whole establishment. Some people went so far as to ask Cobbold to speak to Siegmund Warburg and myself to tell us to stop, because this was not the way things were done. Of course, when anybody suggested this, we gave them the answer that we were retained by a customer and acting on the customer's behalf and with his approval. The history books were all wrong about certain things and I think the time has come to talk about it. The man on our side at Tube Investments was Sir Ivan Stedeford, who was the son of a parson (and in fact could have been a parson). We had insisted that in order to avoid any problem of Americanisation of British Aluminium, the majority of shares would be held by a British company and the minority by Reynolds, an American company. Stedeford was a very intelligent, if very difficult,

person. (You might be able to imagine what kind of man he was if I tell you that whenever you asked him for a decision he would say "I shall cogitate on it".) He was very much impressed by the fact that the chairman of British Aluminium was Lord Portal. Portal had been not only an adviser of Churchill, but also Joint Chief of Staff. He was made a Viscount and considered as one of the heroes of the war. Indeed, sometimes it would almost seem as if he thought himself still at war, as he became increasingly disagreeable during the negotiations. It was very difficult to proceed because of Stedeford's hesitation to harm Lord Portal.

On a Friday afternoon, Portal's secretary telephoned Stedeford's secretary to ask if we could go over to meet him and his colleagues at 3.30 p.m. Siegmund Warburg was in Virginia trying to talk with the Reynolds people about additional funds for the take-over, so our delegation consisted of Sir Ivan Stedeford, his deputy Lord Clitheroe, Joe McConnel of Reynolds and myself. When we arrived at their building in St. James's Square, we met Lord Portal, his Managing Director, not a very brilliant person, Marris, a director of Lazards and Sporborg, a director of Hambros. They had told us before the meeting that they had very little time because they had another meeting scheduled at 4 p.m. After a few pleasantries had been exchanged, Portal announced that he had been advised that he and his Managing Director should temporarily leave the room and that what was intended to be said should be said to us by the bankers. This of course enraged Stedeford who said "Lord Portal, you have asked us to come and see you here. If you leave, I will also leave". Portal, who was not familiar with this kind of etiquette, was embarrassed and said he must talk to his bankers, and he withdrew with them. When they came back, he said they had agreed that he could stay on. They then made an offer of a ridiculous price to buy all the shares that we had already bought on Reynolds' behalf. We told them that the offer was out of the question and that was the end of the meeting.

Immediately after the meeting, Lord Portal invited Stedeford and the others to look at the room opposite the boardroom that Eisenhower had used as his office during the war. I was very worried about the meeting that was due to take place at 4 p.m. I felt sure that something was going to happen: what else could explain the sudden invitation and the suddenness of the offer? This would not happen in this way unless something was not intended afterwards. I did not go to the Eisenhower room, but instead lost my way and hid behind a wall as I wanted to know who was coming at 4 p.m. At 4 p.m., the lift doors opened and a young man with a cheap papier-mâché attaché case and bowler hat walked out of the lift and straight into the boardroom. It

was perfectly clear to me that it was someone from one of the press agencies, who had come to collect something. I then joined the others, who asked what I had been doing. I said "Never mind, let's get back to Tube Investments' office and I'll tell you". Once there, I explained what had happened and that I was quite convinced that they would make a press announcement, which we should be ready for. I advised that we should all wait to find out what it was. Whereupon Sir Ivan Stedeford burst out and attacked me, saying "Mr. Grunfeld, I have a gentleman's agreement with Lord Portal that neither of us will make a press announcement without first informing the other. Lord Portal is a gentleman and it is out of the question that anything of this kind should happen". As it was Friday afternoon, he had planned to go back to Birmingham for the weekend. I implored him not to leave until I had established that he was right and I was wrong.

The next thing I did was to telephone George Warburg at the office. I asked him to find out from the newspapers whether there were to be any press announcements. Within ten minutes, he had called back to tell me that Lazards had booked space in the Financial Times, The Times and The Telegraph, but that they had not given the wording of the announcement, which would arrive in time for printing at 6 p.m. Stedeford in his fury had gone into his room and shut the door. He was very angry that I had insisted that he should not leave for Birmingham. So I went into his room and said "I am terribly sorry, Sir Ivan, but I am afraid I was right. There will be a press announcement. At 6 p.m. we will know what it is". In all my life, I have rarely seen the expression on someone's face change so rapidly. It was such a disappointment for him that Lord Portal should have let him down, and from that moment on he was in such a fury that he became the greatest protagonist for moving forward.

At 6 p.m. we heard the announcement, which was that British Aluminium had agreed with Alcoa to sell them 30% in order to make any take-over impossible. On hearing this I said "Well, now we must act". After 6 p.m., the British Aluminium contingent were all on their way to their country homes and had no idea that we had found out anything. They thought they had won the day and could relax for the whole weekend. We decided to call a press conference at 7.30 p.m. in the offices of Tube Investments. Siegmund Warburg knew nothing about it; one could not get through on the telephone, even if one wanted to, as it took hours to be connected.

Arthur Winspear was the Lex columnist at the Financial Times. I arranged that he should arrive at 7.15 p.m. so that I would brief him before anyone else. We told the press conference that we were going ahead, that we had an offer and that it was out

of the question that we would agree to the sale to Alcoa. We then announced a higher price, making the Alcoa deal impossible. The people from Lazard, Hambros and British Aluminium heard this at home on the wireless. I need not tell you their reaction, but as it was Friday night, they were unable to do anything. We spent the whole of Saturday with our lawyers and counsel at the Ritz, preparing the circular to shareholders, which went out on Monday night. That was the breakthrough as far as the personal side was concerned. The outcome, of course, is well known. There were various consequences, one of which was that the affair changed the way we, and then other banks, dealt with the press. It was the first time that Warburgs, as a merchant bank and member of the Accepting Houses Committee, had taken members of the press into their confidence. Up to then, journalists were let in through the back door of merchant banks and a chairman or director would have considered it far below his dignity to talk personally to a journalist. Olaf Hambro wrote a furious letter to *The Times* in which he said he could not understand why the press supported Warburgs rather than him. We organised the deal with Schroders and Herbert Wagg, who were representing Tube Investments, but we took the full lead. Because of the strength of the establishment, it was quite difficult for us to find stockbrokers. Brokers like Cazenove and Rowe & Pitman were of course all on the side of the establishment. Instead we worked with two brokers, Panmure Gordon and Joseph Sebag & Co., who no longer exist but at the time were important stockbrokers. That was the breaking point. From then onwards we knew that Stedeford was really fighting and things would happen and did.

Subsequently, as it is well known, feelings against us in the City ran very deep. Some time before the British Aluminium affair happened, we had the idea that the shareholding of the Suez Canal Company by the British Government did not make any sense and that it would be much more sensible for them to sell it. In France, Lazard Frères were dealing with the same problem, so we got together with Lazard in London. Tommy Brand (later Lord Hampton), their chairman, and I went to see the Foreign Office and talked to the then Permanent Secretary, who seemed very interested. We said that we could place the shares in Paris and that we saw no sense in the British Government continuing holding its share. We had not heard anything for about a fortnight and in the meantime the British Aluminium affair had started. So I rang Tommy Brand to discuss whether we should go to the Foreign Office again or send the Permanent Secretary a reminder, but he was not available. I rang again later to no avail. Tommy Brand then wrote me a letter telling me that he had heard about

my calls, but that in view of what was happening in the British Aluminium matter, he did not think it would be possible for us to co-operate on anything else.

This state of affairs continued until the British Aluminium affair was over, when Tommy Brand telephoned and asked to see Siegmund Warburg to apologise. Olaf Hambro said what fools they had been and so on, but I can tell you that as long as it lasted, they did absolutely everything they could to stop us. Morgan Grenfell took it so far amiss that they refused to work with us for 15 years; at the time, they were absolutely dead against us. This gives you some idea of the other banks' feelings about a newcomer daring to do what we did. Today, all this is forgotten. When now I see in the papers that we are called the blue-blooded firm of S.G. Warburg & Co., I laugh. Nobody would have called us blue-blooded when we were in the midst of that battle.

As a result of the British Aluminium war, we were in the newspapers every morning and every evening. Suddenly the name Warburg was constantly in the eyes of industrialists. We did not go out to get new accounts, they came to us. I will give you an example. One day, out of the blue, I had a telephone call from the managing director of Laporte, asking me whether he and Lord Hill, the chairman, could come and see me. (Lord Hill later became head of the Governors of the BBC). They told me that they had been invited the previous day to lunch at Morgan Grenfell. Around the table had been Lord this and Lord that, and the conversation revolved around shooting and about God knows what else, but not a word was said about business. They were obviously not even aware that Laporte had published their figures (which had been very good) two days earlier. Lord Hill had decided that as merchant bankers they were no good and that his company should go to a merchant bank that he believed would look after them. He therefore asked whether we would be prepared to take them as a client. We did and they are still our customers. We made a name for ourselves for doing things in a different way and in a way which very much appealed to a great number of industrialists, who were not hidebound by the old fashioned way of doing things. People heard that we had new ideas and were able to advise people on international affairs, which the other houses at the time were no longer able to do.

**Do you think it was that sort of culture that attracted people to work for Warburgs?**

It is correct that our culture is different from other banks. Things are talked about openly; anyone can come and see anyone. To give an example: we were approached

by Kenneth Keith to merge with Hill Samuel and made very good progress. He agreed to become deputy chairman and I was to be chairman on condition that when I was 70, I would retire and he would become chairman. His chief executive was Sir Robert Clark, who later became head of TSB. We had more or less agreed all the figures, but there was still the question of how the merger was to be carried through in practical terms. Their offices were in Wood Street, while ours were in Gresham Street and I insisted that the chief executive would have to sit in the room next to me, otherwise there could be no proper co-operation and an effective merger would never be achieved. Hill Samuel's people would still remain on one side with me on the other. Another problem was that Kenneth Keith wanted to move to the West End rather than staying in the City. Meanwhile, Robert Clark, as he then was, wanted to stay where he was. I then had a telephone call from Kenneth Keith asking whether he could secretly meet me at my flat. He came and told me that I really should not think that Robert Clark was of any importance at all. I must say that I thought at the time that to talk about his chief executive like this was very funny. He went on to elaborate that since his arrival at Hill Samuel, Clark had not brought in any business, although he was very good at executing business which Kenneth Keith had brought in. Therefore, whether or not he moved to Gresham Street and sat in the office next to me should not really be a reason for not going ahead.

However, something else happened which killed the deal. Kenneth Keith said he could not quite understand how we ran our business because in his company, if a manager of a department had a problem or a point to raise, he would go to the general manager, the general manager would go to the managing director, the managing director would go to the chief executive and then the chief executive would go to the chairman. This, what he called "the chain of command", was in his opinion absolutely essential to the efficient running of a firm. From what he had heard of Warburgs, people could go from one to another and anyone could see everybody. This he would certainly not approve of because he could not see how a firm could be run properly on that basis. I told him that this was exactly how we ran our business, that we believed that it was the right way of working and that we would not for one moment contemplate changing it. Believe it or not, that was the point on which things broke down. In retrospect, it was not such a bad thing; at the time they had the largest number of industrial customers and today they are quite unimportant.

The other day, someone asked if I agreed that the culture at Warburgs was still different from other banks. I said that it may have become internally more competitive,

but that it cannot be helped when there are so many people working for the company. There remains, however, a totally different approach to superiors, which means that everyone is accessible. I believe we are the only firm where this still happens. We have to be very careful that it does not change. To give an example: a messenger came the other day to ask one whether I could see any difference in his appearance. I replied "What do you mean?" and he said that he had a new set of false teeth and wanted to know whether I had noticed them! I don't mind that at all. By contrast, before the War when I went to Rothschilds, even the most senior executive was not allowed to sit down in the presence of one of the Rothschilds.

**I wanted to ask you about the two sittings at lunch.**

I have tried to kill this story, which is absolute nonsense. What happened was that when we moved in 1937 from 8 King William Street, which were tiny offices, to 82 King William Street, we found that there was a boardroom with a small kitchen adjoining it. We were not yet able to afford to have office lunches made for us and our customers because we were too small. Our income was not large enough and running a kitchen cost a lot of money. Jessel Toynbee & Co. were bill brokers whose offices were close to ours, and with whom we were very friendly. Richard Jessel said "What about clubbing together. We have to have finished our lunch by 1.15 p.m. because at 1.30 p.m. there is the second round for the bill broking business. If we had lunch at 12.30 p.m. and were out between 1.15 p.m. and 1.30 p.m., you can start your lunch at 1.30 p.m. and each pays 50% of the cost." He knew a very good chef who used to be his mother's cook. This was agreed. They arrived at 12.30 p.m. and we started our lunch at 1.30p.m.. When we moved to 9/13 King William Street, we continued the arrangement for a while but then, when we moved from there to Gresham Street, and Jessel Toynbee moved to new offices, we had both grown sufficiently for each firm to have its own luncheon arrangements.

At this point, someone suggested that as we only had three luncheon rooms, which very much limited us as to the number of people we could invite, we thought, why do we not maintain the previous arrangement and have two sittings. That is how it happened; there were no other reasons. We no longer have this system, but it was useful while we did. We started at 12.30 p.m. and at 1.20 p.m. or so moved into another room for coffee. What the press and other people have written about this is nonsense. The food was equally good during both sittings and there were no problems whatever. Some of our people, Eric Korner for example, went so far as to invite

different guests for each sitting, throwing the first lot out when he had to go to the second lunch. Eric Korner did quite a number of things that I would not have done, but he was the greatest salesman of securities anyone has ever met. When he talked to clients, they did not even know they had bought something, but they had. Whenever we had a problem with placing an issue, we would say "Where's Korner?". On hearing the problem, he would say "Leave it to me. Forget about it". An hour later he would come back and say "It's all done".

**What about graphology, which is something that we are always asked about?**

It was quite a coincidence that both Siegmund Warburg and I were believers in graphology before we met. He had an uncle, I think it was Aby Warburg, who was a great believer in graphology, studied it and got Siegmund Warburg interested in it. I became convinced that graphology worked in the early 1920s when I used it to solve a problem in our firm in Breslau. Every week small losses, the equivalent of £20 to £50, were occurring. It was done quite carefully and it could only have been done by one of three people who had been with us for a very long time, two for 25 years and the third for 15 years. We just could not work out which one was guilty until someone told me "Why not ask a graphologist? He will tell you who did it". Having studied the three samples of handwriting, the graphologist pointed out one and said "That is the man who has done it". I said it was impossible. He was a hunchback, a man who had been with us 25 years and he said "I assure you that this is the man, I can see from the writing that he would do such a thing". I was sceptical, but said that I would talk to him. After quite some time he admitted that he had taken the money. It turned out that he did not do it because he needed the money. He was a hunchback and somehow wanted to do something to show that he could do something different and totally unexpected. In the circumstances I kept him on. I did not tell anybody it was him and he never did it again. That event convinced me that graphology worked and I remain convinced.

**Have you ever had your own handwriting analysed?**

Having been very much impressed by the graphologist who solved my problem in the 1920s, I asked him what he thought of my own handwriting. He said a few complimentary things, for example, he said he could tell that I was good at figures because I wrote the letter "g" in a certain way. Then he said that in spite of all this, if he was asked by a company whether they should employ me, he would have to warn

them not to. I told him I thought this very off and asked him to tell me why. He said "For one reason only, you are not prepared to subordinate yourself".

**One of the things you were asked by one of your graduate trainees was whether Warburgs was a Jewish bank.**

My answer was that first of all, considering how we started, with two or three people as Jewish refugees from Germany, and what we are now, I thought it was quite a compliment. Having said that, I thought it was absolute nonsense to describe any firm of the size that we are now as being Jewish or Anglican or Roman Catholic or anything else. No one would call the General Electric Company a Jewish company because it was started by Mr. Hirsch from Munich who became Lord Hirst, or ICI because it was started by Mr. Mond from Cologne, who became Lord Melchett, or Hambros Bank which was started by Mr. Hambro from Denmark, or Reuters which was started by Mr. Reuter from Kassel, who was the son of the Chief Rabbi there, or Thorn EMI, which was started by Mr. Jules Thorn who came from Vienna and was Jewish, and so on. In my opinion, the question does not arise.

**Do you think that people in the City earn too much money?**

Of course. We discussed this question at some length with the non-executive directors at our last remuneration committee. They could not understand why banks and financial institutions pay such enormous amounts. It had just been in the papers that someone at Goldman Sachs had left because he had not been made a partner, but was re-engaged with a guaranteed \$6 million at the age of 28. That is crazy and brings the whole financial community into disrepute. It is probably the only industry where it can be demonstrated that a trader has traded so successfully that he has made \$5 million for the firm and that he therefore feels entitled to \$1 million or \$2 million. You cannot do that in other industries because it is a joint effort. Of course when money is lost, nobody says anything.

I was once at Bear Stearns and the senior partner showed me the dealing room. I asked him "How do you remunerate these people?" He said "Well, each one keeps a book which shows how much money they have made and as part of their remuneration they get a certain percentage of the profits they make for the company". I replied "But if they lose at the end of the year, then what happens?" He said "It is carried forward to the New Year. They don't get a commission in the New Year until the loss of the

past year is made up". Then he laughed. I asked why he was laughing. He told me it had never happened. When a man had a loss at the end of the year, he went to another firm. He would not want to carry forward his loss so he leaves and starts with someone else.

**I want to ask about Mercury Asset Management. Is it true that Siegmund Warburg wanted to sell the asset management business?**

Siegmund Warburg was never fond of the investment management business, of which Eric Korner was in charge. It was not a large business and one which he disliked. He just did not believe in it and it was one of the points on which we differed, because I believed in the future of this business. In the late 1970s, Siegmund Warburg offered our investment management business to Flemings, but Flemings turned it down.

**Where did the Mercury name come from?**

It is said that it is because Hg is the chemical formula for Mercury, which is all nonsense. What happened was that in 1937, when Harry Lucas was a manager and a director and a large shareholder, he made sometimes quite good profits for the company. It was a mistake to do this business in a finance company because the profits were taxable, and it was much more sensible to form an investment trust because an investment trust did not pay tax on profits on investments. Therefore, on the recommendation of our auditors, we had to form an investment trust. There was the question of the name and "Mercury" was as good as any. It had nothing to do with me.

**What about the merger in 1986 of the four firms?**

I have been asked time and again why I agreed to the merger which created something completely new and different from what we had been before. My answer was always the same. Over the years, I have learned that what happens in America on the financial scene and also in other respects happens later in this country. For instance, commercial television started in America and became very successful. It was a very difficult start here, but in the end was very successful too. "Mayday" happened on Wall Street in the early 1980s, which was similar to what happened here a few years later, namely that the investment houses could do what they could not do before on the New York

Stock Exchange. At that time, the four leading houses in New York – Morgan Stanley, Kuhn Loeb, First Boston Corporation and Dillon Read – were the only ones in the bulge bracket. Merrill Lynch, Lehman Brothers, Goldman Sachs and Salomon were in the next bracket. When the change took place in New York, First Boston Corporation decided it would become much more universal than it had been before. Morgan Stanley first hesitated, but then agreed and decided they would do it too, while Kuhn Loeb and Dillon Read decided to continue as before as pure issuing houses in the old-fashioned way in which they had originally started. After a few years, you could see what had happened. First Boston Corporation and Morgan Stanley remained among the leading houses, Kuhn Loeb no longer exists and Dillon Read has become a rather unimportant firm. So when I saw this happening, it was quite clear that we should draw the conclusion that the same was likely to happen in London and that therefore we should do what Morgan Stanley and First Boston Corporation had done. That is why I was all in favour of the merger with the three houses. The question then was asked whether, if Siegmund Warburg were still alive, he would have agreed to it. My answer was that, as he was a very intelligent person, he would have seen the signs of the time and I was quite sure he would have agreed.

**Why is it that you still go to work every day? Do you enjoy going to work every day?**

I was asked this very question by one of the graduate trainees. He asked, "Sir, why are you still coming to the office at your age?". I said "First of all, because I enjoy it. Secondly, because I think it is very healthy for me and thirdly, and perhaps not last, I believe I can still make a contribution". I mean, once you stop you get old. Old in the sense that you do not go with the times - and I hope I still do. After all, if you have started, as I have said before, with one employee, it is quite satisfactory to see how things have developed.



**End of Henry Grunfeld Collection**

---